UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2013

ELLIES HOLDINGS LIMITED

Ellies Holdings Limited | Registration number: 2007/007084/06 | JSE share code: ELI | ISIN: ZAE000103081

Revenue ↓ 3,8% | PAT ↓ 40,9% | EPS of 25,27 cents ↓ 40,7% | HEPS of 25,09 cents ↓ 40,9% | NAV per share of 341,31 cents ↑ 20,1%

Abridged consolidated statement of financial position

	Unaudited as at 31 October 2013 R'000	Unaudited as at 31 October 2012 R'000	Audited as at 30 April 2013 R'000
ASSETS			
Non-current assets	**472 266**	375 394	409 485
Property, plant and equipment	**180 184**	127 246	163 115
– Land and buildings	**91 217**	78 047	86 140
– Other	**88 967**	49 199	76 975
Goodwill and other intangible assets	**263 252**	226 139	226 182
Investment in associate	**11 153**	8 967	10 491
Deferred taxation	**17 677**	13 042	9 697
Current assets	**1 527 727**	1 076 227	1 282 644
Inventories	**738 322**	630 582	667 983
Trade and other receivables	**512 018**	274 591	392 259
Amounts due from contract customers	**243 936**	155 434	158 651
Taxation receivable	**2 126**	590	447
Bank and cash balances	**31 325**	15 030	63 304
Total assets	**1 999 993**	1 451 621	1 692 129
EQUITY AND LIABILITIES			
Capital and reserves	**1 035 322**	862 206	958 467
Share capital and premium	**501 494**	501 494	501 494
Non-distributable reserves	**(177 585)**	(178 522)	(178 316)
Accumulated profits	**711 992**	539 234	635 289
Equity attributable to equity holders of the parent	**1 035 901**	862 206	958 467
Non-controlling interests	**(579)**	–	–
Non-current liabilities	**336 698**	162 936	260 266
Interest-bearing liabilities	**335 671**	161 179	259 411
Vendor loans payable	**182**	1 169	–
Deferred taxation	**845**	588	855
Current liabilities	**627 973**	426 479	473 396
Interest-bearing liabilities	**81 240**	4 310	26 104
Vendor loans payable	**4 181**	853	1 278
Trade and other payables	**438 262**	287 906	343 671
Amounts due to contract customers	**12 776**	–	8 246
Provisions	**20 577**	20 147	20 787
Taxation payable	**1 454**	43 654	1 060
Shareholders for dividends	**35**	563	40
Bank overdraft	**69 448**	69 046	72 210
Total equity and liabilities	**1 999 993**	1 451 621	1 692 129
Supplementary information:			
Net asset value per share (cents)	**341,31**	284,08	315,80
Net tangible asset value per share (cents)	**254,44**	209,37	241,12
Number of shares in issue	**303 505 691**	303 505 691	303 505 691

Abridged consolidated statement of comprehensive income

	Unaudited six months ended 31 October 2013 R'000	Unaudited six months ended 31 October 2012 R'000	Audited year ended 30 April 2013 R'000
Revenue	**1 083 441**	1 125 748	1 996 053
Profit before interest, taxation, depreciation and amortisation ("EBITDA")	**123 778**	198 157	348 282
Depreciation	**(7 086)**	(8 202)	(11 331)
Amortisation of intangibles	**(279)**	(279)	(557)
Profit before interest and taxation ("PBIT")	**116 413**	189 676	336 394
Interest received	**3 978**	413	5 994
Interest paid	**(14 084)**	(10 983)	(27 853)
Share of losses from associate	**(386)**	(417)	(1 666)
Net profit before taxation ("PBT")	**105 921**	178 689	312 869
Taxation	**(29 797)**	(49 898)	(88 023)
Net profit after taxation ("PAT")	**76 124**	128 791	224 846
Other comprehensive income:			
Foreign currency translation reserve	**731**	385	591
Total comprehensive income for the period	**76 855**	129 176	225 437
Attributable to:			
Equity holders of the parent	**76 703**	129 270	225 325
Non-controlling interests	**(579)**	(479)	(479)
Net profit after taxation	**76 124**	128 791	224 846
Attributable to:			
Equity holders of the parent	**77 434**	129 655	225 916
Non-controlling interests	**(579)**	(479)	(479)
Total comprehensive income for the period	**76 855**	129 176	225 437
Supplementary information:			
Basic earnings per share (cents)	**25,27**	42,59	74,24
Headline earnings per share (cents)	**25,09**	42,46	74,00
Weighted average number of shares in issue	**303 505 691**	303 505 691	303 505 691

** Ellies has no dilutionary instruments in issue.*

Reconciliation of basic earnings and headline earnings

	Unaudited six months ended 31 October 2013 R'000	Unaudited six months ended 31 October 2012 R'000	Audited year ended 30 April 2013 R'000
Net profit for the period attributable to equity holders of the parent	**76 703**	129 270	225 325
Adjusted for:			
Profit on sale of property, plant and equipment	**(754)**	(379)	(120)
Profit on change of control from subsidiary to associate	**–**	(120)	(857)
Tax effect on adjustments	**211**	106	240
Headline earnings attributable to ordinary shareholders	**76 160**	128 877	224 588

Abridged consolidated statement of cash flows

	Unaudited six months ended 31 October 2013 R'000	Unaudited six months ended 31 October 2012 R'000	Audited year ended 30 April 2013 R'000
Cash flows from operating activities	**(131 910)**	32 958	445
Cash (utilised by)/generated from operations	**(89 980)**	97 236	153 428
Interest received	**3 978**	413	5 994
Interest paid	**(13 996)**	(10 903)	(27 713)
Taxation paid	**(31 907)**	(23 812)	(100 765)
Dividends paid	**(5)**	(29 976)	(30 499)
Cash flows from investing activities	**(30 891)**	(35 911)	(77 529)
Cash flows from financing activities	**130 954**	(8 851)	110 390
Net (decrease)/increase in cash and cash equivalents	**(31 847)**	(11 804)	33 306
Cash and cash equivalents at the beginning of the period	**(8 906)**	(42 212)	(42 212)
Cash and cash equivalents acquired as part of business combination	**2 630**	–	–
Cash and cash equivalents at the end of the period	**(38 123)**	(54 016)	(8 906)

Abridged consolidated statement of changes in equity

	Unaudited six months ended 31 October 2013 R'000	Unaudited six months ended 31 October 2012 R'000	Audited year ended 30 April 2013 R'000
Balances at the beginning of the period	**958 467**	760 450	760 450
Total comprehensive income for the period	**76 855**	129 176	225 437
Change of control from subsidiary to associate	**–**	2 931	2 931
Dividends declared	**–**	(30 351)	(30 351)
Balances at the end of the period	**1 035 322**	862 206	958 467

Segmental analysis

	Unaudited six months ended 31 October 2013 R'000	Unaudited six months ended 31 October 2012 R'000	Audited year ended 30 April 2013 R'000
Revenue	**1 083 441**	1 125 748	1 996 053
Consumer goods and services	**677 438**	749 848	1 301 030
– Total	**677 438**	749 848	1 308 065
– Inter-segment	**–**	–	(7 035)
Infrastructure	**406 003**	368 799	687 922
– Total	**406 003**	368 799	688 382
– Inter-segment	**–**	–	(460)
Property division	**–**	–	–
– Total	**4 812**	3 861	8 483
– Inter-segment	**(4 812)**	(3 861)	(8 483)
Other	**–**	7 101	7 101
Segmental profits/(losses) from operations			
Net profit before interest and taxation	**116 027**	189 259	334 728
Consumer goods and services	**65 765**	127 759	249 298
Infrastructure	**47 203**	60 239	82 112
Property division	**3 767**	3 034	6 790
Other	**(386)**	(1 461)	(2 710)
Holding company/consolidation	**(322)**	(312)	(762)
Interest received	**3 978**	413	5 994
Interest paid	**(14 084)**	(10 983)	(27 853)
Operating segments (combined)	**(10 281)**	(8 655)	(22 804)
Property division	**(3 715)**	(2 248)	(4 909)
Deemed vendor interest	**(88)**	(80)	(140)
Net profit before taxation	**105 921**	178 689	312 869

Business combinations

On 1 May 2013, Ellies, through a wholly-owned subsidiary, acquired 100% of the shares and loans of Botjheng Water (Pty) Ltd ("Botjheng Water"). The purchase price of R10 million was settled via a cash payment of R7 million on this date and the balance over a 12-month period.

A summary of the provisional fair values of assets, liabilities and purchase consideration is as follows:

	R'000
Property, plant and equipment	**785**
Deferred taxation (asset)	**7 165**
Inventories	**35**
Trade and other receivables	**11 796**
Bank and cash	**2 630**
Interest-bearing liabilities	**(573)**
Trade and other payables	**(48 708)**
Total net liabilities acquired	**(26 870)**
Purchase consideration discharged as follows:	**9 866**
– Cash payments made on effective date	**7 000**
– Deferred payment due in the future	**2 866**
Cash payments made on costs of business combination	**446**
Goodwill	**37 182**

In terms of IFRS 3: *Business Combinations*, Ellies has a maximum of 12 months from the acquisition date to complete the acquisition accounting of Botjheng Water. The allocation of the purchase consideration to the identifiable assets and subsequent amendment to the recorded goodwill will therefore be reported at the year ending 30 April 2014 and retrospectively applied for the six months ended 31 October 2013.

Notes to the unaudited interim results

Basis of preparation and accounting policies

The unaudited interim results for the six months ended 31 October 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and comply with IAS 34 – *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Board or its successor, the requirements of the Companies Act, No. 71 of 2008 of South Africa and the Listings Requirements of the JSE Limited. The accounting policies used in the preparation of the unaudited interim results for the six months ended 31 October 2013, are consistent with those applied in the audited financial statements for the year ended 30 April 2013. These results have been compiled under the supervision of the Chief Financial Officer, MF Levitt CA (SA). The interim results have not been reviewed or reported on by the group auditors, Grant Thornton (Jhb) Inc.

Change in presentation

As referred to in the 30 April 2013 results, in order to improve on the group's disclosure, the receivables accounted for under Construction contracts have been moved out of "Trade and other receivables" and placed under "Amounts due from Contract customers". The effect on the 31 October 2012 interim results is to reduce "Trade and other receivables" by R155,4 million. There is no effect on any statements of financial position prior to 2012, as there were no amounts relating to Construction contracts.

Commentary

Introduction

Ellies Holdings Limited ("Ellies" or the "group") is a leading South African manufacturer, wholesaler, importer and distributor in diversified sectors servicing the local and African markets. Operational divisions comprise consumer and commercial goods and services, renewable energy, power management, water and telecommunications infrastructure.

Overview

The period under review has been challenging for the group. During the prior period, the group enjoyed the majority of the benefits derived from the Eskom consumer programme. This contributed substantially to the group's prior period comparative growth in EPS from 21 cents to 43 cents and is now reflected in the comparative negative movement to the current 25 cents per share. Notwithstanding this, the core business of the group, excluding the Eskom impact, achieved satisfactory growth in revenue, albeit at a 3% drop in gross margin.

Notwithstanding the current difficult trading conditions in the Ellies consumer goods and services segment, it still achieved core business growth at the lower margin.

Consumer revenue for the first half of 2013 (excluding Eskom) was R520 million being core revenue. The comparative core revenue (excluding Eskom and OpenView HD ("OVHD")) for the first half of 2014 grew by around 20%. The lower margins were necessitated as a result of market conditions and currency impact.

The Infrastructure division for the first half of the 2014 period increased revenue by 10%, largely due to the acquisition of Botjheng Water which did not achieve an operating profit during this initial stage. The Infrastructure division thus reflected a decline in PBIT of 22% from R60,2 million to R47,2 million, after incorporating the R1 million loss from Botjheng Water. This however is an improvement on this division's immediate preceding six months of R21,9 million.

The group's statement of financial position remains solid, with NAV and NTAV per share improving to 341 cents (2012: 284 cents) and 254 cents (2012: 209 cents) respectively.

The total interest-bearing bank debt, which includes property term finance, results in a debt to equity ratio of 40% as compared to 31% at April 2013. With the exclusion of the property funding, which replaces rent with interest, this ratio drops to 33% as compared to 24% at April 2013. The higher inventory holding in anticipation of future opportunities, including Digital Terrestrial Television ("DTT") and OVHD, together with work-in-progress and longer cycle contract customers, impacted on these ratios. The group's interest cover to EBITDA is 12,25 times (2012: 18,75 times). Management's objective is the achievement of a 25% gearing level, excluding any property financing, and believes that the current higher ratio is short-term.

The cash flows from operating activities declined by R132 million as a result of the working capital requirements to roll out the OVHD programme. A R150 million two year facility was raised to fund this.

Prospects

The group's diversification into new products and ventures together with its alignments with leading technology partners, enables the group to build on its existing skills, infrastructure and customer base.

Management believes that the current difficult trading conditions will continue. We endeavour to leverage off our existing core competencies, our capacity and customer base.

The Consumer goods and services division

The DTT migration rollout in South Africa is keenly anticipated in the short term. New production machinery has been installed for increased local production and employment. In the interim we continue to export DTT products into Africa.

OVHD, a free to view satellite broadcaster, was launched in October 2013. This late launch and stock placement into the retail market failed to take full advantage of the festive period. The roll out is expected to gain traction in the coming months.

Sales of Multchoice's DStv remain constant and it is anticipated to maintain its share in the entertainment market.

Ellies is well positioned to participate in and benefit from all aspects of the growth in the domestic TV entertainment and connectivity demand across all population groups. The Ellies Connect concept has been established to consolidate and facilitate the marketing of various vendor offerings.

The group's initiatives in energy conservation continue to attract new and innovative renewable energy products and ideas. The expansion into commercial efficient lighting and energy generation continues to attract interest. Management anticipates that this business-to-business sector will see significant future opportunities.

Infrastructure division

The contribution of the Infrastructure division remains important to the group, consistently contributing approximately one third of the group's profits and offering diversification in both product and customer base.

Megatron Federal has been re-certified as ISO-compliant for the company's quality control systems. It is working towards an integrated certification which will incorporate the environmental and health and safety ISO certifications. Increased compliance with the ISO standards will drive sales particularly in the mining sector. This will contribute to greater operational efficiencies.

Power products manufacturing sector

This sector's historical investment in capital equipment and standards testing continues to yield greater volumes and efficiencies with a consistent revenue contribution.

Success has been achieved in engaging with numerous developers for a number of sites in the South African Renewable Energy Independent Power Producer's ("REIPP") programme, through the specially-developed Transformer Compact Substation. The first operating solar plant has being installed using this technology.

The miniature substation manufacturing operation has experienced growth following the successful product type-testing and certification. It remains a key product within the sector.

Likewise, the transformer manufacturing operation is experiencing growth with increased exports to both Mozambique and Namibia in particular.

The prospects for this sector remain positive. A healthy order book for the coming period together with yet more REIPPP projects is expected.

Infrastructure projects sector

During the first six months of the period, this sector showed a strong performance. Engagement in additional geographical and commercial markets as well as expansion into our traditional markets, contributed to an increase in revenue for the sector. The addition of Botjheng Water to the portfolio will allow access to new markets for both Botjheng Water's traditional business, as well as adding complementary services to Megatron's power offerings.

Work continues on our mining-based projects in Africa, with the DRC, Ghana and the Republic of Congo remaining key.

Exports continue to represent the largest portion of the revenues generated by this sector. Our track record and experience in Africa, continue to bolster confidence in our company. The company's reputation positions it to benefit from the anticipated growth in infrastructure development in Africa, with solid opportunities in numerous markets.

The construction and renewables divisions will be commencing new projects in 2014 with good growth prospects.

Telecommunications projects sector

Telecommunications performed in line with expectations for the period under review.

49% of the Towers business unit was sold to allow for a broad-based ownership structure. Growth in both revenue and earnings is expected.

Within South Africa, there is a growing trend amongst telecoms operators to secure electricity supply to meet their stringent up-time requirements, whilst investing in long-term strategies to mitigate rising energy costs. Our key products of "green" sites and the Integrated Power System continue to represent the largest growth within the business unit. As the uptake of the technology increases we are well placed to capitalise on this trend.

Strategic investments

The group is always engaged with exciting prospects for organic growth, new ventures and product opportunities. Currently, alliances and investments are being investigated for the expansion of renewable energy products, skills and resources. This would further enable growth of the group's commercial offerings into renewable energy projects.

The group's investment in SkyeVine has begun to reflect improvements. It is anticipated that these positive signs will continue.

Dividend policy

The dividend policy will be reviewed periodically taking into account prevailing circumstances and future cash requirements. At present and in view of the prospects, all cash generated by the company will be utilised to fund new opportunities. Accordingly, no interim dividend is proposed at this stage.

Appreciation

The directors and management once again continue to recognise and appreciate the focused efforts and hard work of the group's staff and also continue to appreciate its customers, business partners, advisors, suppliers and, most importantly, shareholders.

By order of the board

ER Salkow
Chairman

WMG Samson
CEO

21 January 2014

Executive Directors
ER Salkow (Chairman)
WMG Samson (Chief executive officer)
MF Levitt (Chief financial officer)
RH Berkman
RE Otto

Non-executive Directors
AC Brooking
MR Goodford

Lead independent non-executive Director
OD Fortuin

Independent non-executive Directors
FS Mkhize
M Moodley

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Sponsor: Java Capital

Company secretary:
Probity Business Services (Pty) Ltd

Transfer secretaries:
Link Market Services South Africa (Pty) Ltd

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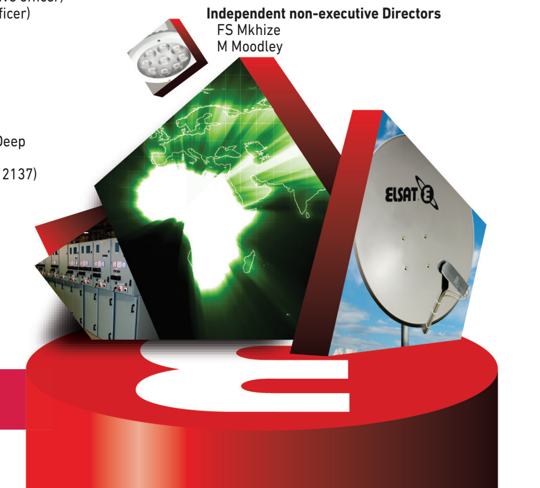

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